

MAY 13 1993

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

The Accounting and Ratemaking)
Treatment for the Allowance for)
Funds Used During Construction)
(AFUDC))

CC Docket No. 93-50

COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association submits these Comments to the Notice of Proposed Rulemaking, FCC 93-126, released on March 23, 1993, in the docket captioned above ("NPRM"). In this proceeding, the Commission is examining possible accounting and ratemaking changes for the treatment of the Allowance for Funds Used During Construction ("AFUDC"). NTCA is a national association of approximately 500 small and rural local exchange carriers ("LECs") providing telecommunications services to interexchange carriers and subscribers throughout rural America.

Under current rules, the capital costs of construction projects lasting a year or more are excluded from rate base consideration and interest expense is capitalized on such projects to recognize the time cost of funds used during the construction period.¹ The cost of construction projects of less than one year are included in the rate base and AFUDC is not

¹ NPRM at para. 3.

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capitalized.² Under the NPRM proposal, carriers would be allowed to include all plant under construction in the rate base and would capitalize AFUDC at the cost of debt on all construction projects.³

NTCA has no objection to the NPRM proposal in that it is an attempt to bring AFUDC capitalization into better compliance with generally accepted accounting principles ("GAAP"). However, NTCA members would not like to see rules put in place that would increase their record keeping burdens for what would be insignificant amounts of AFUDC. Therefore, NTCA recommends that the Commission confirm that the proposal is not intended to be a strict requirement but would allow LECs to determine whether AFUDC amounts are material enough to justify capitalization.

Respectfully submitted,

National Telephone Cooperative
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² Id.

³ Id. at para. 17.

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing
Comments in CC Docket No. 93-50 of the National Telephone

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